

Part VI DIRECT TRANSACTIONS OR ACCOUNTS BETWEEN U.S. AFFILIATE AND FOREIGN AFFILIATES OF THE FOREIGN PARENT (FAFP)

33. Does the U.S. affiliate (as consolidated) identified on page 1, item 2 of this form have direct transactions or accounts with foreign affiliates of the foreign parent identified on page 1, Item 47 – Mark (X) one.

043

1

1

Yes – Complete this page. Do not duplicate amounts already reported on page 1, items 18 through 24.

1

2

No

Report all direct transactions between the U.S. affiliate and FAFP. Do not include any direct transactions, accounts, or balances between the U.S. affiliate and the foreign parent – they must be reported in Parts III and IV. Do not net payables against receivables. In section A, report payments and liabilities to, and, in section B, report receipts and receivables due from, FAFP by country. Enter only one foreign country per line. If more lines than provided are needed in order to list all countries, use additional copied sheets as necessary, properly identified with the name of the U.S. affiliate. A country should be reported separately if one item is \$500,000.00 or more for that country. The combined values for countries not required to be reported separately should be entered on the unallocated line.

Report all amounts in thousands of U.S. dollars, as illustrated.

EXAMPLE: If figures is \$1,125,628,000.00 – Report as shown

Bil.	Mil.	Thous.	Dols.
1	125	628	

Country of foreign affiliate of foreign parent – Enter amounts of \$500,000 or greater for all individual countries	BEA USE ONLY (1)	Current and long-term liabilities or receivables								Interest – Including interest on capital leases (4)	Royalties, license fees, and other fees for the use or sale of intangible property (5)	Charges for the use of tangible property (6)	Film and television tape rentals (7)	Allocated expenses and sales of services (8)														
		End-of-quarter balance (2)				Beginning-of-quarter balance (3)																						
Section A – U.S. AFFILIATE'S LIABILITIES AND PAYMENTS TO FAFP		Liabilities of U.S. affiliate TO FAFP								Payments or accruals, whichever occurred first, to FAFP (after deduction of U.S. tax withheld)																		
		Bil.	Mil.	Thous.	Dols.	Bil.	Mil.	Thous.	Dols.	Bil.	Mil.	Thous.	Dols.	Bil.	Mil.	Thous.	Dols.	Bil.	Mil.	Thous.	Dols.	Bil.	Mil.	Thous.	Dols.			
34. Canada 044	100	2				3				4				5				6				7				8		
35. United Kingdom 045	327	2				3				4				5				6				7				8		
36. Netherlands 046	319	2				3				4				5				6				7				8		
37. Japan 047	614	2				3				4				5				6				7				8		
Other countries – Specify																												
38. 048		2				3				4				5				6				7				8		
39. 049		2				3				4				5				6				7				8		
40. 050		2				3				4				5				6				7				8		
41. 051		2				3				4				5				6				7				8		
42. 052		2				3				4				5				6				7				8		
43. 053		2				3				4				5				6				7				8		
44. 054		2				3				4				5				6				7				8		
45. Unallocated by country – Sum of amounts for each country for which each entry is less than \$500,000 155	709	2				3				4				5				6				7				8		
46. TOTAL – Sum of items 34 through 45 156		2				3				4				5				6				7				8		
Section B – U.S. AFFILIATE'S RECEIVABLES AND RECEIPTS FROM FAFP		Receivables of U.S. affiliate FROM FAFP (Note: Include CD's and other deposits of the U.S. affiliate held by the FAFP)								Receipts or accruals, whichever occurred first, from FAFP (after deduction of foreign tax withheld)																		
		Bil.	Mil.	Thous.	Dols.	Bil.	Mil.	Thous.	Dols.	Bil.	Mil.	Thous.	Dols.	Bil.	Mil.	Thous.	Dols.	Bil.	Mil.	Thous.	Dols.	Bil.	Mil.	Thous.	Dols.	Bil.	Mil.	Thous.
47. Canada 157	100	2				3				4				5				6				7				8		
48. United Kingdom 158	327	2				3				4				5				6				7				8		
49. Netherlands 159	319	2				3				4				5				6				7				8		
50. Japan 160	614	2				3				4				5				6				7				8		
Other countries – Specify																												
51. 161		2				3				4				5				6				7				8		
52. 162		2				3				4				5				6				7				8		
53. 163		2				3				4				5				6				7				8		
54. 164		2				3				4				5				6				7				8		
55. 165		2				3				4				5				6				7				8		
56. 166		2				3				4				5				6				7				8		
57. 167		2				3				4				5				6				7				8		
58. Unallocated by country – Sum of amounts for each country for which each entry is less than \$500,000 268	709	2				3				4				5				6				7				8		
59. TOTAL – Sum of items 47 through 58 269		2				3				4				5				6				7				8		

Part VII

ANNUAL INCOME, EQUITY POSITION, AND ALLOCATED EXPENSES AND SALES OF SERVICES – See **Specific Instructions**.

Complete this part once each year after audit. (Complete no later than the second report following the close of the calendar or fiscal year.)

		Month	Day	Year	
60.	U.S. affiliate’s calendar (or fiscal) year ending date	034	1		
61.	Foreign parent’s percentage of equity ownership interest in the U.S. affiliate at end of year – Enter to tenth of one percent.	035	1		
• Income statement items		Bil.	Mil.	Thou.	
62.	Foreign parent’s direct equity in U.S. affiliate’s annual net income (loss) after provision for U.S. Federal, State, and local income taxes	036	1		
63.	Foreign parent’s share of certain realized and unrealized gains (losses), net of tax effect:		1		
a. Included in net income (item 62)		037	1		
b. Not included in net income (item 62) but taken directly to retained earnings or other equity account, excluding translation adjustment		038	1		
64.	Foreign parent’s share of translation adjustment for the year (an equity adjustment)	338	1		
• Owners’ equity items – foreign parent’s share					
Incorporated affiliate only					
65.	Common and preferred stock and additional paid-in capital	039	1		
66.	Retained earnings (deficit)	040	1		
67.	Other equity accounts, including translation adjustment – Specify	041	1		
68.	TOTAL – Sum of items 65, 66, and 67. For unincorporated U.S. affiliate – Enter foreign parent’s share of total owners’ equity	042	1		
• Payments and receipts of allocated expenses and sales of services					
Report below, on an annual basis, the sum of item 22 for all 4 quarters of your fiscal year (revised as necessary) and, for this part only, transactions with foreign affiliates of foreign parent (FAFP), items 46, column (8) and 59, column (8) for all 4 quarters. Include (a) allocated expenses or reimbursements for management, professional, technical, or other services that normally would be included in "other income" in the income statement of the provider of the service and (b) payments or receipts for services that are separately billed and that would normally be included in sales or gross operating revenues of the seller of the services. Report amounts net of withholding tax. – See Specific Instructions .					
		Net payments or credits by U.S. affiliate to foreign parent or FAFP		Net receipts by or credits to U.S. affiliate from foreign parent or FAFP	
		Bil.	Mil.	Thous.	Dols.
69.	Allocated expenses and sales of services – total for year (Sum of a. through f. below)	270	1	2	
a. Insurance services		271	1	2	
b. Financial services		272	1	2	
c. Transportation		273	1	2	
d. Computer and information services		274	1	2	
e. Communication services		275	1	2	
f. Other services – Specify type		276	1	2	

CERTIFICATION OF EXEMPTION – Mark (X) below to indicate reason affiliate is exempt and complete the "Person to Consult" and "Certification" sections below on this form. See "Reporting Requirements" for determining exempt status.

EXEMPT STATUS – Mark (X) one:

1

This U.S. affiliate is exempt because each of the three items listed below is equal to or less than \$30 million (positive or negative). Enter the amount for each of the three items – Data should be for the fully consolidated U.S. business enterprise and for, or as of the end of, the most recent financial year (use projections if annual data are unavailable).

Bil. Mil. Thous.

Total assets – Do not net out liabilities.

Sales or gross operating revenue, excluding sales taxes – Do not give gross margin

Net income (loss) after provision for U.S. income taxes

Month Day Year

The above data are for the 12-month period ended

2

This U.S. affiliate is consolidated, merged, or reorganized into another U.S. affiliate. Complete the following:

Name of other U.S. affiliate

Month Day Year

Date of change in status

3

This U.S. affiliate, as consolidated, is only indirectly foreign owned through another U.S. affiliate and has no direct transactions or accounts (debt balances) with the foreign parent(s) or any of its (their) foreign affiliates. NOTE – If the other U.S. affiliate has a majority interest (greater than 50%) in this U.S. affiliate, this item does not apply. See item 2.

4

In a prior quarter, the foreign parent’s voting interest in this U.S. business enterprise was either (a) sold to a U.S. person that is not a U.S. affiliate, (b) liquidated, or (c) diluted, so that the foreign parent’s voting interest is below 10%. Complete the following:

Month Day Year

Date sold, liquidated, or diluted

Bil. Mil. Thous.

Approximate sale or liquidation value

NOTE – If this amount was not reported in Part V of a prior quarter’s Form BE-605, fill in Part V on page 1 of this form.

If sold, name of other U.S. person(s) to whom sold

If diluted, use "Remarks" section below to explain

5

Other – Use "Remarks" section below to specify and include reference to section of regulations or instructions on which claim is based.

Remarks

CERTIFICATION – The undersigned official certifies that this report has been prepared in accordance with the applicable instructions, is complete, and is substantially accurate except that, in accordance with the Instructions, estimates have been provided where data are not available from customary accounting records or precise data could not be obtained without undue burden.

Authorized official’s signature

Print or type name and title

Date

PERSON TO CONSULT CONCERNING QUESTIONS ABOUT THIS REPORT – Enter name and address

Name

Address

TELEPHONE NUMBER

Area code

Number

Extension

FAX NUMBER

Area code

Number

Page 3

FORM BE-605 (REV. 5/99)

TRANSACTIONS OF U.S. AFFILIATE, EXCEPT A U.S. BANKING AFFILIATE, WITH FOREIGN PARENT

Purpose – Reports on this form are required in order to provide reliable and up-to-date information on foreign direct investment in the United States for inclusion in the U.S. balance of payments and the national income and product accounts.

Authority – This survey is being conducted pursuant to the International Investment and Trade in Services Survey Act (P.L. 94-472, 90 Stat. 2059, 22 U.S.C. 3101-3108, as amended – hereinafter "the Act"), and the filing of reports is MANDATORY pursuant to Section 5(b)(2) of the Act (22 U.S.C. 3104). In Section 3 of Executive Order 11961, the President designated the Department of Commerce as the Federal executive agency responsible for collecting the required data on direct investment, and the Secretary of Commerce has assigned this responsibility to the Bureau of Economic Analysis. The implementing regulations are contained in Title 15, CFR, Part 806.

This report has been approved by the Office of Management and Budget under the Paperwork Reduction Act (44 U.S.C. 3501 et seq.).

Penalties – Whoever fails to report may be subject to a civil penalty not less than \$2,500, and not more than \$25,000, and to injunctive relief commanding such person to comply, or both. Whoever willfully fails to report shall be fined not more than \$10,000 and, if an individual, may be imprisoned for not more than one year, or both. Any officer, director, employee, or agent of any corporation who knowingly participates in such violation, upon conviction, may be punished by a like fine, imprisonment, or both. (22 U.S.C. 3105)

Notwithstanding any other provision of the law, no person is required to respond to, nor shall any person be subject to a penalty for failure to comply with, a collection of information subject to the requirements of the Paperwork Reduction Act, unless that collection of information displays a currently valid OMB Control Number.

Confidentiality – The Act provides that your report to this Bureau is CONFIDENTIAL and may be used only for analytical or statistical purposes. Without your prior written permission, the information filed in your report CANNOT be presented in a manner that allows it to be individually identified. Your report CANNOT be used for purposes of taxation, investigation, or regulation. Copies retained in your files are immune from legal process.

DEFINITIONS

United States, when used in a geographic sense, means the several States, the District of Columbia, the Commonwealth of Puerto Rico, and all territories and possessions of the United States.

Foreign, when used in a geographic sense, means that which is situated outside the United States or which belongs to or is characteristic of a country other than the United States.

Person means any individual, branch, partnership, associated group, association, estate, trust, corporation, or other organization (whether or not organized under the laws of any State), and any government (including a foreign government, the United States Government, a State or local government, and any agency, corporation, financial institution, or other entity or instrumentality thereof, including a government-sponsored agency).

Foreign person means any person resident outside the United States or subject to the jurisdiction of a country other than the United States.

Direct investment means the ownership or control, directly or indirectly, by one person of 10 per centum or more of the voting securities of an incorporated business enterprise or an equivalent interest in an unincorporated business enterprise.

Foreign direct investment in the United States means the ownership or control, directly or indirectly, by one foreign person of 10 per centum or more of the voting securities of an incorporated U.S. business enterprise or an equivalent interest in an unincorporated U.S. business enterprise, including a branch.

Branch means the operations or activities conducted by a person in a different location in its own name rather than through an incorporated entity.

Affiliate means a business enterprise located in one country which is directly or indirectly owned or controlled by a person of another country to the extent of 10 per centum or more of its voting stock for an incorporated business or an equivalent interest for an unincorporated business, including a branch.

U.S. affiliate means an affiliate located in the United States in which a foreign person has a direct investment.

Foreign parent means the first foreign person in the ownership chain of the U.S. affiliate.

Affiliated foreign group means (i) the foreign parent, (ii) any foreign person, proceeding up the foreign parent's ownership chain, which owns more than 50 per centum of the person below it up to and including that person which is not owned more than 50 per centum by another foreign person, and (iii) any foreign person, proceeding down the ownership chain(s) of each of these members, which is owned more than 50 per centum by the person above it.

Foreign affiliate of foreign parent means, with reference to a given U.S. affiliate, any member of the affiliated foreign group owning the affiliate that is not a foreign parent of the affiliate.

U.S. corporation means a business enterprise incorporated in the United States.

Business enterprise means any organization, association, branch, or venture which exists for profitmaking purposes or to otherwise secure economic advantage, and any ownership of any real estate.

Banking covers business enterprises engaged in deposit banking or closely related functions, including commercial banks, Edge Act corporations engaged in international or foreign banking, foreign branches and agencies of U.S. banks whether or not they accept deposits abroad, U.S. branches and agencies of foreign banks whether or not they accept domestic deposits, savings and loans, savings banks, and bank holding companies, i.e., holding companies for which over 50 percent of their total income is from banks which they hold. (U.S. branches of foreign banks are U.S. persons; conversely, foreign branches of U.S. banks are foreign persons.)

REPORTING REQUIREMENTS

Who must report – Except as exempted below, a Form BE-605 is required from every U.S. business enterprise, except a U.S. banking affiliate, in which a foreign person had a direct and/or indirect ownership interest of 10 percent or more of the voting stock if an incorporated business enterprise or an equivalent interest if an unincorporated business enterprise at any time during the reporting period. Note, however, that a U.S. affiliate that is **indirectly** foreign owned and has no direct transactions or positions with a foreign parent (or foreign affiliate of the foreign parent) at any time during the year is exempt from filing a Form BE-605 provided the Certificate of Exemption on page 3 of Form BE-605 is (or has been) filed.

Reports are required even through the foreign person's equity interest in the U.S. business enterprise may have been established, acquired, liquidated, sold, or inactivated during the reporting period.

For reporting foreign direct investment in U.S. banking affiliates, use related Form BE-605 Bank, Transactions of U.S. Banking Affiliate with Foreign Parent.

Consolidated reporting by U.S. affiliate – A U.S. affiliate shall file on a fully consolidated basis, including in the consolidation all other U.S. affiliates in which it directly or indirectly owns more than 50 percent of the outstanding voting interest, except that banking operations must be reported separately from other consolidated operations. (Foreign subsidiaries of the U.S. affiliate are **not** to be included in the consolidation, except as provided below under the equity method of accounting.) However, separate reports may be filed where a given U.S. affiliate is not normally consolidated due to unrelated operations or lack of control, provided written permission has been requested from and granted by BEA.

A listing of the names and addresses of the U.S. affiliates included in the consolidation must be provided with the first filing and then updated as necessary. The list should indicate each U.S. affiliate's direct owner and the percentage of direct ownership interest held.

NOTE: If a U.S. affiliate in a consolidated group is both directly and indirectly owned by the same foreign parent, the foreign parent's indirect equity interest and any direct transactions or positions between the affiliate and its foreign parent should be included in the report for the consolidated group. A separate BE-605 must be filed to report the foreign parent's **direct equity** interest. However, Parts III, IV, and VI should **not** be completed because those data should be included in the report for the consolidated group.

Equity method of accounting – Investments by the U.S. affiliate in business enterprises not included in the consolidation and which are 20 percent or more owned should be accounted for following the equity method of accounting when computing net income.

Multiple foreign parents – Where two or more foreign persons hold reportable equity interests in a U.S. affiliate, a separate report must be filed to report transactions or accounts with each foreign parent. Note, however, that transactions or accounts with foreign affiliates of a foreign parent, whether located in the same or in a different foreign country as the foreign parent, should not give rise to separate reports but should be entered in Part VI (on page 2) of the form for that foreign parent.

Exemption – A U.S. affiliate is not required to file a report if each of the following three items for the U.S. affiliate (not the foreign parent's share) is equal to or less than \$30 million, either positive or negative:

- (1) Total assets,
- (2) Annual sales of gross operating revenues, excluding sales taxes (not gross margin), and
- (3) Annual net income (loss) after provision for U.S. income taxes.

Quarterly reports for a year may be required retroactively when it is determined that the exemption level has been exceeded. If a U.S. affiliate's total assets, sales, or net income exceed the exemption level in a given year, it is deemed that the exemption level will also be exceeded in the following year.

NOTE: If any one of the three items above exceeds the exemption level, either positive or negative, the U.S. affiliate must report. A U.S. affiliate claiming exemption from filing a report must complete the Certificate of Exemption and the "Person to Consult" and "Certification" sections on page 3, of Form BE-605 and return the entire form to BEA at the address noted on page 1.

GENERAL INSTRUCTIONS

Filing of report – Reports filed by mail through the U.S. Postal Service should be sent to: U.S. Department of Commerce, Bureau of Economic Analysis, BE-49(Q), Washington, DC 20230. Reports filed by direct private delivery should be directed to: U.S. Department of Commerce, Bureau of Economic Analysis, BE-49(Q), Shipping and Receiving Section M-100, 1441 L Street, NW, Washington, DC 20005.

Form BE-605 is a quarterly report. A single copy of each report should be filed within 30 days after the close of each calendar (or fiscal) quarter, except for the final quarter of the calendar (or fiscal) year, when reports should be filed within 45 days. Requests for extension of the filing date, additional forms, or clarification of the reporting requirements or instructions should be directed to the appropriate address shown above.

Currency amounts should be reported in U.S. dollars and rounded to the nearest thousand. If an amount is between ± \$500, enter "0." Use parentheses to indicate negative numbers.

Accounting methods – Data are to be provided from the U.S. affiliate's books on a basis consistent with generally accepted accounting principles of the United States, unless otherwise specified.

Estimates may be provided where necessary in order to file a timely report.

Retention of copies – A copy of all reports filed should be retained for 3 years beyond the report's original due date.

Assistance – If there are any questions concerning the report, telephone (202) 606-5577 during office hours – 8:30 a.m. to 4:30 p.m. eastern time.

SPECIFIC INSTRUCTIONS

A U.S. affiliate that is only indirectly foreign owned (item 7 must be marked), but is required to file a separate report on Form BE-605 because it has direct transactions or positions with the foreign parent or foreign affiliates of the foreign parent, should complete only Parts I, III, IV, and VI, as applicable.

All U.S. affiliates, whether directly or indirectly foreign owned, must complete Part VI, page 2, if the U.S. affiliate has direct transactions with foreign affiliates of the foreign parent.

PART II

Item 11 – Net income should be reported on a quarterly basis, **not on a cumulative or year-to-date basis**. Net income for the period shown in item 11 should be entered in column 1. Column 2 should be used to correct data that were incorrect or were not given in the preceding report. Do not delay filing because current quarter data are not available. Estimates may be used where necessary.

The amount entered should represent the foreign parent's equity, based on its directly held equity interest in the U.S. affiliate's net income (loss) for the quarter, before provision for common and preferred dividends and before any deduction for U.S. withholding taxes on dividends, but after provision for U.S. Federal, State, and local income taxes. U.S. affiliates in extractive industries should report net income before depletion charges, except charges representing the amortization of the actual cost of capital assets.

Net income should include, **on an equity basis**, the U.S. affiliate's share in the net income of all domestic and foreign business enterprises owned by it to the extent of 20 percent or more.

CONTINUE ON REVERSE

SPECIFIC INSTRUCTIONS – Continued

If this report is for the U.S. affiliate’s direct transactions or accounts with a foreign parent that **does** not hold a direct equity interest, the foreign parent’s share in net income should be zero on this Form BE-605 (but included in the report filed by the U.S. affiliate identified in item 9). If the foreign parent holds both a direct and an indirect equity interest, only the share representing the direct equity interest should be given in this item; the indirect equity interest should be reported by the U.S. affiliate identified in item 9.

Items 12a and b – Certain realized and unrealized gains (losses) include:

- (1) Gains or losses from the sale, disposition, or revaluation of investment securities. (Dealers in securities, other finance companies, and insurance companies, see special instructions below.)
- (2) Gains or losses from the sale, exchange, write-off, or revaluation of land, other property, plant, and equipment, or other assets. (Real estate companies, see special instructions below.) However, gains or losses from the sale of inventory assets in the ordinary course of trade or business should not be included.
- (3) Gains or losses from remeasurement of the U.S. affiliate’s foreign-currency-denominated assets and liabilities due to change in foreign exchange rates during the period and transaction gains (losses) taken to income in accordance with FASB 52.
- (4) Gains or losses due to extraordinary items (except legal judgements and accidental damage to fixed assets).
- (5) Material gains or losses resulting from unusual or infrequently occurring items.

The foreign parent’s share of such gains or losses included in your income statement should be reported in item 12a after provision for U.S. Federal, State, and local income taxes. The foreign parent’s share of such gains or losses not included in your income statement but, instead, taken directly to retained earnings or other equity account, such as changes in valuation per FASB 12, should be reported in item 12b after provision for U.S. Federal, State, and local income taxes. Do **not** include foreign currency translation adjustment; report such adjustment in item 13.

Special instructions for DEALERS IN SECURITIES (classified in ISI code 612): Do **not** include realized gains or losses due to profit or loss on the sale or maturity of investments in either item 12a or 12b. However, unrealized gains or losses due to changes in the valuation of investments that are recognized during the period should be included in item 12a or 12b as appropriate.

Special instructions for FINANCE COMPANIES other than dealers in securities (classified in ISI code 612) and INSURANCE COMPANIES (classified in ISI code 631, 632, or 639): Include in item 12a or 12b, as appropriate, the foreign parent’s share of realized gains or losses due to profit or loss on the sale or maturity of investments and of unrealized gains or losses due to changes in the valuation of investments.

Special instructions for REAL ESTATE COMPANIES (classified in ISI code 650): Gains or losses from the sale of real estate in the ordinary course of trade or business should **not** be included in item 12a. However, a gain or loss that is recognized due to revaluation of assets without a sale should be shown in item 12a or 12b.

Item 13 – Report foreign parent’s share of your foreign currency translation adjustment resulting from the translation of foreign affiliate financial statements from the affiliates’ functional currencies into the U.S. dollar. The adjustment should be determined in accordance with FASB 52 or other current standards of the Financial Accounting Standards Board. Report the translation adjustment here on a quarterly basis, **not** on a cumulative or year-to-date basis.

Items 14 and 17 – Enter dividends as of the date they were either paid or entered into intercompany accounts (item 23), whichever occurred first. Any subsequent settlement of dividends declared but not paid should **not** be reported here again but should be reflected only as a reduction in item 23. Stock and liquidating dividends should not be included in item 14.

PART III

Items 18–22 – Enter amounts as of the date they were either received, paid, or entered into intercompany accounts between the payor and payee, whichever occurred first. Include amounts for which payment was made in kind. For an item entered into intercompany account prior to the reporting period, any subsequent settlement of the account should not be reported here again but should be reflected only as a reduction in intercompany account items 23 and 24.

Item 20 – Include rentals for operating leases of one year or less and net rent on operating leases of more than one year. Net rent is equivalent to the total lease payment less the return of capital (depreciation) component. Exclude film and television tape rentals.

Item 22 – Include allocated expenses (such as R & D assessments) or reimbursements for management, professional, technical, or other services that normally would be **included** in "other income" in the income statement of the provider of the service and payments or receipts for services that are separately billed and that would normally be **included** in sales or gross operating revenues of the seller of the services.

PART IV

Items 23 and 24 – Include all intercompany accounts or indebtedness of the U.S. affiliate with the foreign parent whether current or long-term. (See Part VI for reporting transactions with foreign affiliates of the foreign parent.) Note that the current quarter’s opening balance should be equal to the previous quarter’s closing balance; therefore, if it is necessary to translate the balances to U.S. dollars, use the same exchange rate to translate the opening balance for the current quarter as was used to translate the closing balance for the previous quarter. If the closing balance on the preceding quarter’s report was in error, **note the correction**. Entries in items 23 and 24 should be consistent with entries in items 18–22 insofar as they reflect the later entries. For example, film rentals shown in item 21 and accrued but not paid by the U.S. affiliate in the current quarter should be included in item 23.

If leases between the U.S. affiliate and the foreign parent are capitalized, then the outstanding capitalized value should be shown here as an intercompany balance. Lease payments should be disaggregated into the amount which is (a) a reduction in the intercompany balance, which would be reflected in one of these items, and (b) interest, which would be entered in item 18.

PART V

Items 25–31 – Entries in Part V are necessary to identify the cause of any changes in equity holdings by the foreign parent in the U.S. affiliate during the quarter. When changes in the foreign parent’s equity holdings in the U.S. affiliate occur during the quarter, the amount involved in the transaction that changed the capital account should be entered in the appropriate item at transactions value. Exclude changes caused by carrying net income to the equity account, the payment of stock or cash dividends (other than liquidating dividends), or the distribution of earnings during the period. Exclude effect of treasury stock transactions with persons other than the foreign parent and reorganizations in capital structure that do not affect total equity.

Item 25 – Incorporated U.S. affiliate, report the foreign parent’s purchases of capital stock from the U.S. affiliate and other contributions by the foreign parent of equity capital not resulting in the issuance of stock to the foreign parent by the U.S. affiliate. Unincorporated U.S. affiliate, report the foreign parent’s share of any increase in the U.S. affiliate’s equity (or home office account), excluding amounts reported in Parts II and IV.

Item 26 – Incorporated U.S. affiliate, report sales of capital stock by the foreign parent to the U.S. affiliate, returns of contributed equity capital to the foreign parent not resulting in a reduction of issued stock, and distributions to the foreign parent (excluding amounts reported in Parts II and IV) following total liquidation of the U.S. affiliate. Unincorporated U.S. affiliate, report the foreign parent’s share of any decrease in the U.S. affiliate’s equity (or home office account), excluding amounts reported in Parts II and IV.

Item 32 – The amount given here should approximate the change in the foreign parent’s share of total owner’s equity, after allowance is made to exclude changes caused by carrying net income to the equity account, payment of stock or cash dividends (other than liquidating dividends), distribution of earnings, and treasury stock transactions.

PART VI

Report direct transactions during the quarter with foreign affiliates of the foreign parent in accordance with column headings. **Do not include transactions already reported in Parts III and IV of this form.** In Section A, report payments and liabilities to, and in Section B, report receipts and receivables due from, foreign affiliates of the foreign parent. In the country column, enter only one foreign country per line. If more lines than provided are needed in order to list all countries, use additional sheets as necessary. A copy of Part VI may be used for this purpose. Note, however, only countries with an amount of \$500 thousand or more must be reported on separate lines. Countries for which all amounts are less than \$500 thousand may be combined on line 45, "Unallocated by country," for U.S. affiliate’s payments and liabilities and on line 58, "Unallocated by country," for U.S. affiliate’s receipts and receivables.

PART VII

Items 60–69 – Complete once a year, not later than the second filing following the close of the calendar year (or fiscal year if the U.S. affiliate’s books are not kept on a calendar year basis). For example, following the end of the calendar year, this section must be completed on the report due within 30 days after the close of the first quarter, or April 30. **Best estimates are permitted** where necessary in order to file a timely report.

Items 62–64 – Same instructions as for items 11, 12, and 13, except that these items refer to the annual figure for the year designated in item 60.

Items 65–68 – Show the proportion of capital owned and equity in surplus accounts by the foreign parent as of the end of the year shown in item 60. The retained earnings account underlying the foreign parent’s share of retained earnings, item 66, must be computed on the equity basis consistent with items 11 and 62.

Item 69 – Report payments and receipts of allocated expenses and sales of services broken down by type. On an annual basis, include net payments and receipts between the U.S. affiliate and their foreign parent(s) as reported in item 22 for each quarter and also with foreign affiliates of the foreign parent (FAFP) as reported in item 46, column (8) and item 59, column (8). Report the breakdown as follows:

- a. **Insurance services** – Report in column (1) payments by the U.S. affiliate of premiums for the purchase of primary insurance from the foreign parent plus similar payments to the FAFP; report in column (2) losses on such insurance recovered from the foreign parent or FAFP.
- b. **Financial services** – Report payments and receipts for the following types of financial services: brokerage, private placement of securities, underwriting of securities, financial management, credit-related services (excluding credit card services), financial advisory and custody services, securities lending, and all other financial services. Do not report fees for commodity or merchandise brokerage service; real estate brokerage fees; business brokerage fees; pension fund contributions and benefits; premiums and other proceeds from writing (selling) options, forwards, futures, and swaps; insurance premiums and losses, and commissions on insurance; and interest and dividend receipts and payments.
- c. **Transportation** – Report payments by the U.S. affiliate to the foreign parent or FAFP for carrying merchandise from foreign destinations to the United States **and between foreign destinations**; report receipts by the U.S. affiliate from the foreign parent and FAFP for carrying merchandise from the United States to foreign destinations and for carrying freight between foreign destinations.
- d. **Computer and information services** – Report payments and receipts for:
 - 1. Computer and data processing services, including data entry, processing, and tabulation; computer systems analysis, design, engineering, and custom programming; and other computer services, including timesharing, maintenance, and repair.
 - 2. Database and other information services, including business, financial, or technical databases; reservation systems; and credit reporting and authorization systems.
- e. **Communications services** – Report payments and receipts for use of company-owned or leased communications channels and for value-added telecommunications services, such as electronic or voice mail and management and operation of data networks. Report payments and receipts for:
 - Message telephone services and other jointly provided (basic), services – Report payments for transmitting messages originating in, or routed through, the United States to foreign destinations. Report receipts by the U.S. affiliate to the Affiliated Foreign Group for the U.S. affiliate’s share of revenues for transmitting messages (including voice, data, video, satellite, images, telex, telegram, cable, etc.) originating abroad to or through U.S. destinations, or between foreign destinations. (For example, for messages originating in a Caribbean country routed through the United States to Western Europe, report separately the receipts from the Caribbean country in which the messages originated and the payments to the country of destination).
 - Private leased channel services – Report payments for leased channels and circuits terminating in foreign countries. Report receipts for channels and circuits terminating in the United States and for channels and circuits between foreign points.
 - Value-added telecommunications services – Electronic mail, voice mail, and code and protocol processing; facsimile services and videoconferencing; Internet connections (including Internet backbone and router services); and other value-added services.
 - Support services related to the maintenance and repair of telecommunications equipment, ground station services, capacity leasing for transiting, and launching of communications satellites.
- f. **Other services** – Report payments and receipts for other services that are separately billed and that would normally be **included** in sales or gross operating revenues of the seller of the service and allocated expenses or reimbursements for management, professional, technical, or other services that would be **included** in "other income" in the income statement of the provider of the service.

Reporting by U.S. Affiliates of Interest Rate and Foreign Currency Swap Agreements With the Affiliated Foreign Group

In recent years, U.S. affiliates have increasingly engaged in transactions in derivative financial instruments, particularly those involving interest rate and foreign currency swap agreements, with their foreign parents or with foreign affiliates of their foreign parents. Interest accruals under the terms of these types of swap agreements with each member of the affiliated foreign group are to be reported by nonbank U.S. affiliates on Form BE-605 as "interest" on a net basis. Do **not** report gross receipts and gross payments of interest based upon marking your positions to market daily. Rather, report the net amount of these gross receipts or payments on Form BE-605 either as net interest received or net interest paid, as appropriate (on Part III, line 18, if with the foreign parent, or Part VI, column 4, if with a foreign affiliate of the foreign parent). U. S. affiliates engaged in banking should not report interest resulting from swap agreements on Form BE-605 Bank because it is not considered to be interest on permanent debt investment. Both nonbank and bank U.S. affiliates should report any explicit fees paid to, or received from, a member of the affiliated foreign group for arranging a swap as charge(s) for services rendered (in Part III, line 22, or in Part VI, column 8 of Form BE-605 or in Part III, line 20, of Form BE-605 Bank).

All other intercompany transactions on Forms BE-605 and BE-605 Bank should continue to be reported on a gross basis.